

**CARO COMMUNITY SCHOOLS**

Caro, Michigan

**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary and  
additional information)

June 30, 2005

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August 5, 2005

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Caro Community Schools  
Caro, Michigan 48723

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caro Community Schools as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Caro Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Caro Community Schools as of June 30, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2005, on our consideration of Caro Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages *i* through *xiii* and page 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion it.

Board of Education  
Caro Community Schools  
August 5, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Caro Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

# **Caro Community Schools**

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## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005**

This section of the 2005 annual financial report presents our discussion and analysis of the School District's financial performance during the school year ended 2005. The intent of this discussion and analysis is to provide, in layman's terms, a look at the district's performance and past and current position. Readers should also review the transmittal letter, notes to the financial statements and financial statements to enhance their understanding of the district's financial performance.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. This is our third year of implementation so certain comparative information between the current year and the prior year is required to be presented in the MD&A. Our district has met those requirements to our knowledge.

### **Using this Annual Report**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year.

### **Financial Section**

- Basic Financial Statements
  - District-wide Financial Statements
  - Fund Financial Statements
  - Fiduciary Fund
  - Notes to Financial Statements
- Required Supplemental Information
  - Budgetary Comparison Schedules

# Caro Community Schools

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## Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005

### Reporting the School District as a Whole – District-wide Financial Statements

The district-wide financial statements are new to our district. One of the most frequent and important question asked about our School District is, "As a whole, what is the School District's financial condition as a result of this year's activities?" The first two statements in the School District's financial statements are the Statement of net assets and the statement of activities. These two statements report information on the School District as a whole because they include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Caro Community School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The School District's operating results come from the relationship between the revenues and expenses. Our School District's goal is not to generate profits, as do commercial entities, but is to provide services to our students. To assess the overall health of the School District, there are many non-financial factors such as the quality of education provided, along with the safety of our schools.

In the District-wide statements, the district's activities are classified as governmental activities. The District's activities include regular and special education, support services, community services, transportation, food service, and athletics. Property taxes, State aid, State and Federal grants finance most of these activities.

### Reporting the School District's Most Significant Funds – Fund Financial Statements

The fund financial statements do not report the School District as a whole; instead the fund financial statements provide detailed information about the District's most significant funds. The School District establishes funds that comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." The General Fund is the District's major fund, which includes the instructional student and instructional support activities. There are additional funds that the School District also establishes to help it control and manage money for particular purposes, such as the Athletic Funds, Food Services Funds, Student Activities Funds and Debt Funds. Funds need to be established to show that it's meeting legal responsibilities for certain taxes, grants, and other money including the 1990 Bond Issue, which funded the construction for voter-approved capital projects like the Middle School and renovations in the other schools. The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all

# Caro Community Schools

## Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005

other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School District's programs

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

### The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Financial Analysis of the School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2005.

<b>Table 1 Condensed Statement of Net Assets</b>	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2005</b>
Current assets	\$ 4,615,514.	\$ 4,543,592.
Capital assets	<u>7,573,000.</u>	<u>7,175,627.</u>
<b>Total assets</b>	<b><u>12,188,514.</u></b>	<b><u>11,719,219</u></b>
Current liabilities	1,698,878.	2,154,893.
Noncurrent liabilities	<u>2,819,009.</u>	<u>2,473,601.</u>
<b>Total liabilities</b>	<b><u>4,517,887.</u></b>	<b><u>4,628,494.</u></b>
<b>Net assets</b>		
Invested in capital assets -- Net of related debt	5,046,677.	4,986,988.
Restricted	109,450.	273,318.
Unrestricted	<u>2,514,500.</u>	<u>1,830,419.</u>
<b>Total net assets</b>	<b><u>\$ 7,670,627.</u></b>	<b><u>7,090,725.</u></b>
<b>Total Net Assets and Liabilities</b>	<b><u>\$12,188,514.</u></b>	<b><u>11,719,219.</u></b>

# Caro Community Schools

## Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005

The statement of activities shows the results of this year's operations for Caro Community Schools as a whole. Table 2 shows the changes in net assets of the School District as of June 30, 2004 and June 30, 2005.

<b>Table 2</b> <b>Statement of Net Assets from Operating Results</b>		
	<b>Governmental</b> <b>Activities</b>	
	2004	2005
<b>Revenues</b>		
<b>Program revenues:</b>		
Charges for services	330,145.	351,411.
Operating grants & Other Transactions	854,160.	995,417.
<b>General revenues:</b>		
Property taxes	1,751,054.	1,830,181.
State formula aid	14,442,651.	14,174,399.
Other	398,930.	373,706.
<b>Total revenues</b>	<b><u>17,776,940.</u></b>	<b><u>17,725,115.</u></b>
<b>Expenses</b>		
Instruction	11,601,779.	11,858,485.
Support services	5,384,029.	4,704,592.
Community services	148,982.	127,664.
Transfers to other districts	2,300.	0.
Food Services	690,147.	640,567.
Athletics	406,160.	405,244.
Interest on long-term debt	150,362.	98,933.
Unallocated depreciation	484,639.	469,531.
<b>Total Expenses</b>	<b><u>18,868,398.</u></b>	<b><u>18,305,016.</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>(1,091,458)</u></b>	<b><u>(579,902.)</u></b>

The beginning net assets of the district were \$7,670,627, the ending net assets were \$7,090,725, the net assets of the District decreased by \$579,902. during 2004/2005 school year. Table 2 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the District's annual activity.

# **Caro Community Schools**

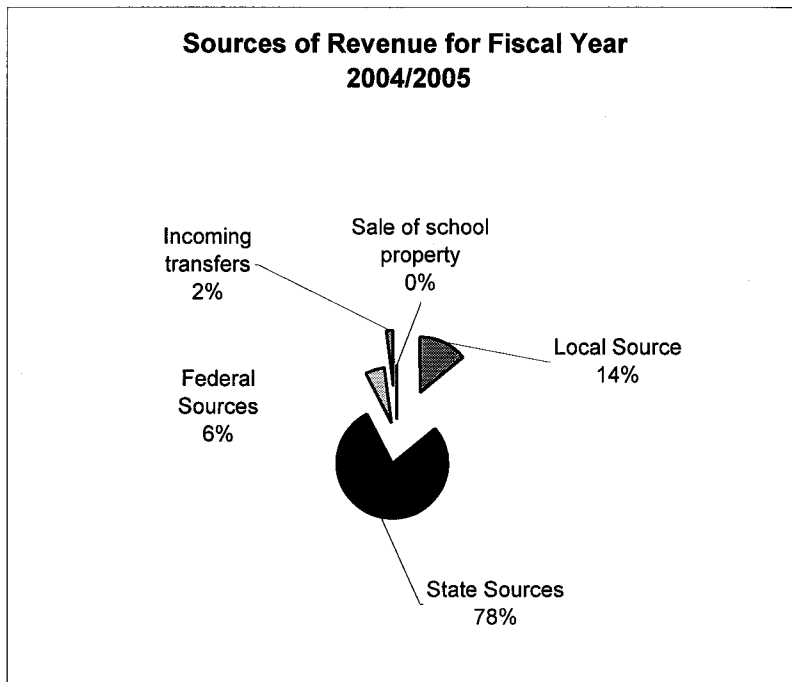
## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

### **Financial analysis of the School District's Funds**

The District uses funds to help it control and manage money for particular purposes. The reader can look at these funds to help determine whether the Caro Community School District is being held accountable for the resources taxpayers and others provide to it, and it may give them insight in the School District's overall financial health.

Table 3 shows the breakdown of the sources of revenue for the District. A substantial portion (78%) of the District's revenues is received from State sources, which means that the financial stability of the District rests primarily with the economic health of the State of Michigan. The state sources as a percentage of total revenue have declined 9% from 2003/2004.

Table 3

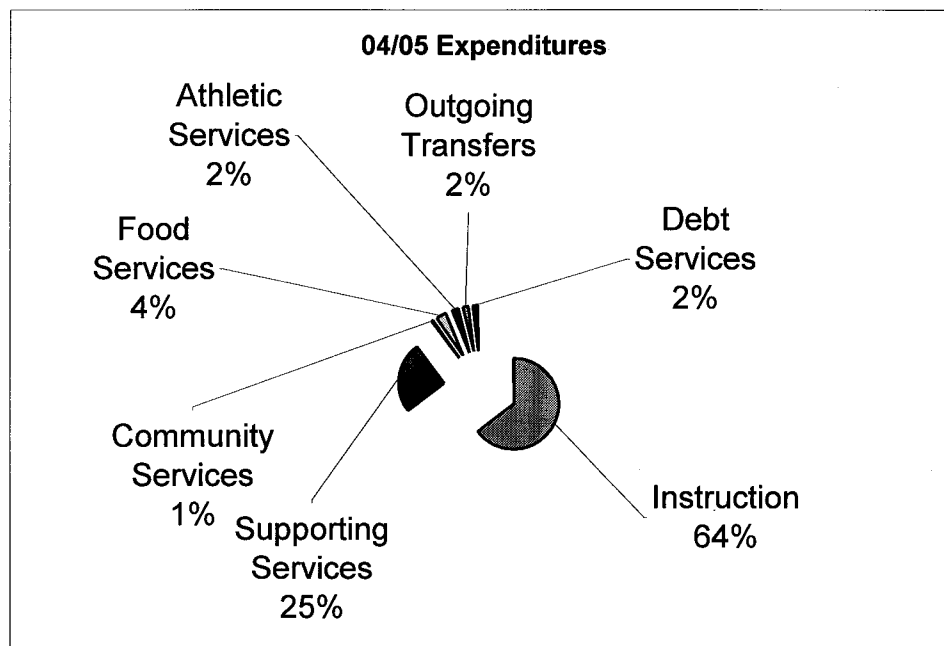


# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

Table 4 shows that the 64% of the District's resources are spent on instruction services. The percent of expenditures for supporting services, which are services that are needed for the general operation of a school district, were 25%. The 2% for outgoing transfers helps to subsidize the athletic program, while 1% is spent on community services. The food services accounts for 4% of the budget while athletic services are 2% of the budget. The remaining 2% is used for the District's debt repayment.

Table 4



### **Factors Decreasing Fund Equity**

- ◆ *General Fund Equity* – Decrease of \$367,574. This is substantially lower from 2003/2004 due to cuts in the support personal for teachers and the operation and maintenance personal. Supply costs were also cut back.

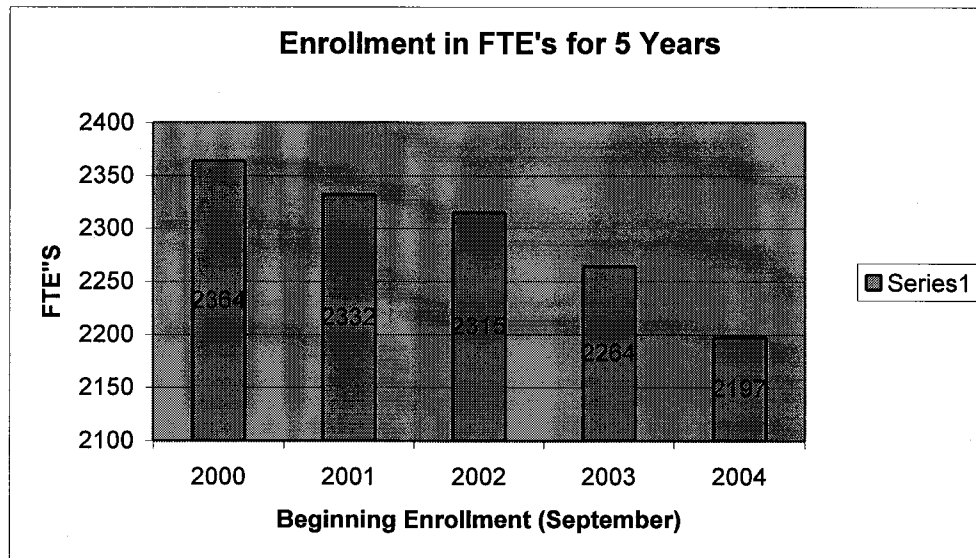
# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

### **Factors Decreasing Fund Equity Continued**

- ◆ *Purchase of General Equipment* – The district purchased software and hardware for student access and food service, which totaled approximately \$38,868.
- ◆ *Purchase of Buses* - 2 new buses \$122,202.
- ◆ *Increase in Contracts and Wages* - for all employees per agreements.
- ◆ *Health benefits* - increased by 6.68%
- ◆ *Retirement* - increased 1.88% from 12.99% to 14.87%.
- ◆ *Student Enrollment*

The chart below shows the steady decline in enrollment for the past 5 years, with a total loss of 167 students. There was a decline of 67 students between 2003/2004 beginning school year and the 2004/2005 beginning school year. State aid is calculated at \$6,700. per student, this is a loss of state aid revenue worth \$448,900 for the 2004/2005 school year. Some of this revenue is made up with local taxes.



# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

- ◆ ***Debt Fund Equity*** – Increase of \$159,240.  
The district had less debt due to the refunding of bonds the previous year and increase in taxable values.

- ◆ ***Food Service Fund Equity*** – Increase of \$15,993.

Increase in commodities usage cause food costs to be decreased.

### **Budget vs. Actual**

The General fund had a positive expense budget variance of \$427,568, from a budget amount of \$17,306,875, which is a 2.47% budget variance. It had a revenue budget variance \$44,454 from a budget amount of \$16,556,186, which is a .27% budget variance.

### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the School District revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. The final amendment to the budget was actually adopted in June, along with the new adopted budget for the upcoming school year.

# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

### **Budget Amendment 2004/2005 and Beginning Budget 2005/2006**

#### **Amended Budget 04/05**

**Revenue:**                      **Total amount of change was an increase of \$90,042.**

**Local Sources / 100**      Decrease of \$22,755. - decreases in taxable values.

**State Sources/ 300**      Increase of \$39,873 - various little changes in state aid  
categoricals.

**Federal Sources/400**      This increased because of Federal grants that we receive. This  
balances out with the expense for the grant.

**Transfers/500**              This decreased because of a trade of services with the Tuscola ISD  
for our service on their busses for gas.

**Expenses:**                      **Total amount of change was a decrease of \$57,179.**

**Alternative/ 130**              Increase in program cost of 205,000. because of increase of  
students and also we had added cost of paying rent on 2 bldgs for a  
few months.

**Oper/ Maint 260**              Decrease cost of \$257,500. due to decrease in personal needed and  
decrease in maintenance costs because of building project starting  
the following year.

# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

### **Next Years Proposed Budget 05/06**

For this Proposed Budget hearing we wish to comply with Section 16 of the Uniform Budgeting and Accounting Act and state that our proposed property tax millage rate to be levied this fall if approved by the voters tonight is 18 mills. This will generate \$1,375,471. in local property taxes. This is based on the Non-Homestead Taxable Value of 84,180,073. This value will change in July.

### **Revenue:**

The local revenue was adjusted to reflect student enrollment figures from the February 2005 count less 40 students. The state aid revenue has been reduced because of decline in enrollment projections, and with any 04/05 grants that have been removed. The federal revenue and ISD & other source's revenues have also been decreased by any 04/05 grants.

### **Expenses:**

The wages have been increased only 1% no agreements had been settled yet.

The retirement has increased 1.47%, going from 14.87% to 16.34%.

The healthcare benefits have increased 12%.

The wages were based on 04/05 teachers but this will change in Oct. because of a retirement incentive being offered.

The Special Service Administrator and the Schall School Principal are retiring.

We are contracting them both back in this year, so we have a decrease in administrator wages.

There are no busses being budgeted this year.

We have increased operation and maintenance budgets for increased electric and gas costs.

# Caro Community Schools

## Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005

This chart shows the budget breakdowns for the beginning, amended 2004-2005 and the Beginning for the 2005-2006 School years.

Caro Community Schools				
General Fund Budgets				
Comparative Revenue and Expense Statement				
Fiscal Years Ended June 30, 2000-2006				
June 2005				
	Beginning Adopted Budget	Amended Budget	From Beginning to Amended	Beginning Budget
	2004-2005	2004-2005	2004-2005	2005-2006
<b>Revenues:</b>				
Local Source / 100	1,533,279.29	1,510,524.00	(22,755.29)	1,558,521.00
Intermediate Sources / 200	0.00	0.00	0.00	0.00
State Sources / 300	14,089,071.69	14,128,944.43	39,872.74	14,066,959.00
Federal Sources / 400	623,172.58	735,750.71	112,578.13	732,238.00
I.S.D. & Transfers Sources /500	220,620.00	180,967.00	(39,653.00)	209,500.00
Total Revenues:	\$16,466,143.56	\$16,556,186.14	\$90,042.58	\$16,567,218.00
<b>Expenditures:</b>				
Instruction / 110	8,323,087.41	8,270,283.58	(52,803.83)	8,464,875.00
Special Needs / 120	2,944,755.90	2,943,641.54	(1,114.36)	3,077,691.00
Alternative & Continuing Ed /130	375,089.16	580,210.00	205,120.84	496,465.00
Guidance - Speech / 210	430,631.00	466,625.95	35,994.95	481,953.00
Library - A V / 220	415,550.24	349,500.00	(66,050.24)	291,424.00
Board - Central Admin. / 230	273,084.18	295,532.18	22,448.00	295,015.00
School Administration / 240	878,724.30	944,045.00	65,320.70	972,582.00
Fiscal Serv - Business / 250	182,701.18	207,066.18	24,365.00	196,154.00
Operation & Maintenance / 260	1,740,887.68	1,483,358.10	(257,529.58)	1,546,189.00
Pupil Transportation / 270	1,078,612.84	1,057,255.84	(20,357.00)	1,047,497.00
Central Services / 280	92,774.96	77,073.75	(15,701.21)	83,294.00
Community Services / 300	152,685.95	124,965.77	(27,720.18)	125,822.00
Outgoing Transfers / 400	474,469.00	505,317.19	30,848.19	424,817.00
Total Expenditures:	\$17,363,053.80	\$17,305,875.08	(\$57,178.72)	\$17,503,778.00
Excess Revenues (Exp.)	(\$896,910.24)	(\$750,688.94)	\$147,221.30	(\$936,560.00)
Fund Balance July 01.	2,942,216.76	2,942,216.76		2,192,527.82
Fund Balance June 30,	\$2,045,306.52	\$2,191,527.82		\$1,255,967.82

# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

As of June 30, 2005, the School District had \$16,279,925. invested in a broad range of capital assets. The District's capital additions for the year are as follows:

Buses (2)	\$122,202
General Equipment	17,489
HVAC Systems	8,750
Lawn & Maintenance	4,253
Playgrd, Ath, Site Improvements	17,155
Technology	<u>21,379</u>
Total additions	<u>\$191,228</u>

The District's capital assets at year-end are outlined in Table 5.

**Table 5**

<b>Capital Assets</b>	<b>(Net of Depreciation) Governmental Activities</b>	
	<b><u>2004</u></b>	<b><u>2005</u></b>
Buildings	\$ 3,918,340	\$ 3,749,827
Buses	473,561	467,046
General Equipment	1,500,060	1,334,782
HVAC Systems	23,323	30,459
Land	962,400	962,400
Lawn & Maintenance	15,947	18,461
Playground, Athletic, Site Improvement	240,576	238,837
Portable Classrooms	43,233	39,211
Technology	<u>287,587</u>	<u>248,226</u>
<b>Total</b>	<b><u>\$7,465,027</u></b>	<b><u>\$ 7,089,249</u></b>

The District's capital assets show a decrease from 2004 of \$375,778. This is a result of \$566,999. in Depreciation taken on the existing assets, using the Straight-line method of depreciation and the Current year additions of \$191,228.

# **Caro Community Schools**

## **Management's Discussion and Analysis (Continued) For the Fiscal Year Ended June 30, 2005**

### ***Debt Administration***

As of June 30, 2005 the District had debt on the financial statements for Durant bonds with a remaining balance of \$152,090. These are self-liquidating bonds issued by the State of Michigan to fund a special education lawsuit by Michigan school districts. Payment of principal and interest on the bonds is made directly to the State of Michigan. The District has pledged and assigned to bondholders all rights to state aid payments as security for the bond.

As of June 30, 2005 the District had debt on the financial statements for Serial bonds in the amount of \$1,470,000. These bonds will mature May 1, 2009.

As of June 30, 2005 the District also had debt on the financial statements for a Land Contract of \$600,000.00 for the purchase of 81 acres with buildings. The payment of \$75,565.86 is due annually on January 15, until the year of 2016. The payments are made through the general fund and not the debt retirement fund.

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. At June 30, 2005 the District's net bonded debt of \$1,555,280.00 is well below the legal limit of approximately 36.5 million.

As of June 30, 2005 the District had compensated absences, which include accumulated sick and vacation pay, totaling \$888,208.

We present more detailed information about our long-term liabilities in the notes to financial statements.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, parents, students and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Caro Community Schools, Superintendent's Office, Brenda Dunham, 301 Hooper Street, Caro, Michigan, 48723, or call (989) 673-3160 ext. 1003.

## **BASIC FINANCIAL STATEMENTS**

**CARO COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS:</b>		
Cash and equivalents		\$ 1,676,055
Accounts receivable		13,740
Property taxes receivable		19,994
Prepaid expenses		21,399
Due from Agency funds		211
Due from other governmental units		2,812,193
<b>TOTAL CURRENT ASSETS</b>		<b>4,543,592</b>
<b>NONCURRENT ASSETS:</b>		
Deferred bond issuance costs		107,973
Amortization of bond issuance cost		(21,595)
Capital assets		16,279,925
Less accumulated depreciation		(9,190,676)
<b>TOTAL NONCURRENT ASSETS</b>		<b>7,175,627</b>
<b>TOTAL ASSETS</b>		<b>\$ 11,719,219</b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable		\$ 25,826
Benefits payable		529,807
Retirement payable		122,653
Salaries payable		829,606
Accrued payroll taxes		1,469
Other current liabilities		3,936
Accrued interest		38,349
Current portion of long term debt		387,430
Current portion of compensated absences		215,817
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,154,893</b>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long term debt		1,801,209
Compensated absences		672,392
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>2,473,601</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		4,900,610
Restricted for debt service		273,318
Unrestricted		1,916,797
<b>TOTAL NET ASSETS</b>		<b>7,090,725</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 11,719,219</b>

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 11,858,485	41,942	\$ 482,245	\$ (11,334,297)
Support services	4,628,526	25,558	206,677	(4,396,292)
Community services	127,664			(127,664)
Land contract principal and interest	76,066			(76,066)
Transfers to other districts	-			-
Food services	640,567	\$ 302,018	306,495	(32,054)
Athletics	405,244	49,392		(355,852)
Interest on long-term debt	98,933			(98,933)
Amortization	21,595			(21,595)
Unallocated depreciation	447,936			(447,936)
Total governmental activities	<u>\$ 18,305,016</u>	<u>\$ 418,911</u>	<u>\$ 995,417</u>	(16,890,689)
General revenues:				
Property taxes, levied for general purposes				1,305,976
Property taxes, levied for debt service				524,205
State of Michigan school aid unrestricted				14,174,399
Investment revenue				4,443
Transfers from other districts				-
Sale of school property				94
Miscellaneous				301,670
Total general revenue				<u>16,310,787</u>
Change in net assets				(579,902)
Net assets, beginning of year				<u>7,670,627</u>
Net assets, end of year				<u>\$ 7,090,725</u>

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2005

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and equivalents	\$ 1,235,938	\$ 440,117	\$ 1,676,055
Accounts receivable	12,862	878	13,740
Prepaid expenses	21,399		21,399
Due from other funds	-	-	-
Due from agency funds	211		211
Due from other governmental units	2,803,585	8,608	2,812,193
<b>TOTAL ASSETS</b>	<b>\$ 4,073,995</b>	<b>\$ 449,603</b>	<b>\$ 4,523,598</b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 26,758	\$ (932)	\$ 25,826
Benefits payable	526,190	3,617	529,807
Due to other funds	-	-	-
Retirement payable	121,952	701	122,653
Salaries payable	824,450	5,156	829,606
Accrued payroll taxes	-	1,469	1,469
Other current liabilities	-	3,936	3,936
<b>TOTAL LIABILITIES</b>	<b>1,499,350</b>	<b>13,947</b>	<b>1,513,297</b>
<b>FUND BALANCE:</b>			
Reserved for debt service		311,667	311,667
Unreserved:			
Designated for compensated absences	888,209	-	888,209
Designated for capital improvements	620,000	-	620,000
Undesignated	1,066,436	123,989	1,190,425
<b>TOTAL FUND BALANCE</b>	<b>2,574,645</b>	<b>435,656</b>	<b>3,010,301</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 4,073,995</b>	<b>\$ 449,603</b>	<b>\$ 4,523,598</b>

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2005**

**Total Fund Balances - Governmental Funds** **\$ 3,010,301**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is: 16,279,925

Accumulated depreciation is: (9,190,676)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable: (2,188,639)

Deferred bond issuance costs 107,973

Amortization of bond issuance costs (21,595)

Compensated absences: (888,209)

Accrued interest is not reported as a liability in governmental funds; it is recorded when paid: (38,349)

Balance of taxes receivable at 06/30/04 less allowance for doubtful accounts, expected to be collected after September 1, 2004

19,994

**Net Assets of Governmental Activities**

**\$ 7,090,725**

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>			
Local sources	\$ 1,696,366	\$ 876,329	\$ 2,572,695
State sources	14,126,352	48,047	14,174,399
Federal sources	688,922	306,495	995,417
Other transactions:			
Transfers from other districts	-	-	-
Sale of school property	94	-	94
<b>TOTAL REVENUES</b>	<b>16,511,734</b>	<b>1,230,871</b>	<b>17,742,605</b>
<b>EXPENDITURES:</b>			
Instruction	11,771,838	-	11,771,838
Supporting services	4,553,558	-	4,553,558
Community services	127,664	-	127,664
Food services	-	640,567	640,567
Athletic services	-	399,574	399,574
Outgoing transfers & other	-	-	-
Debt service:			
Principal redemption	-	142,867	142,867
Bond issuance costs	-	-	-
Interest and fiscal charges	-	222,812	222,812
<b>TOTAL EXPENDITURES</b>	<b>16,453,060</b>	<b>1,405,820</b>	<b>17,858,880</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>58,674</b>	<b>(174,949)</b>	<b>(116,275)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Land contract principal payments	(33,451)		(33,451)
Land contract interest & fees	(42,615)		(42,615)
Transfer from General Fund	-	350,182	350,182
Transfer to Athletic Fund	(350,182)	-	(350,182)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(426,248)</b>	<b>350,182</b>	<b>(76,066)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>(367,574)</b>	<b>175,233</b>	<b>(192,341)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,942,219</b>	<b>260,423</b>	<b>3,202,642</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,574,645</b>	<b>\$ 435,656</b>	<b>\$ 3,010,301</b>

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2005**

**Total net change in fund balances--governmental funds** **\$ (192,341)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(567,006)
Amortization	(21,595)
Capital outlay	191,228

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	42,977
Accrued interest payable at the end of the year	(38,349)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Principal repayments	176,318
Recorded appreciation	(20,767)
Capital appreciation on bonds	182,133

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(37,485)
Accrued revenue at the end of the year	19,994

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	573,199
Accrued absences at the end of the year	(888,208)

**Change in net assets of governmental activities** **\$ (579,902)**

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2005

	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>	
CURRENT ASSETS	
Cash	\$ 257,580
<b>TOTAL ASSETS</b>	<b><u>\$ 257,580</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
LIABILITIES:	
Due to student organizations	\$ 257,369
Due to general funds	211
Due to other funds	<u>-</u>
NET ASSETS	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 257,580</u></b>

The accompanying notes are an integral part of the financial statements.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Caro Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Caro Community Schools (the "District") is governed by the Caro Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**OTHER NON-MAJOR FUNDS**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (CONTINUED):**

**Modified Accrual Method (Continued):**

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2004 - August, 2005. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

**State Categorical Revenue:**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY (CONTINUED):**

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	18.00
Debt Service Funds - Homestead and non-homestead	2.14

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY (Continued):**

6. Compensated Absences.

The District's policies generally provide for granting vacation and sick leave with pay. It is the policy of the District to allow accumulation of sick pay. Upon retirement, accumulated sick days become vested and are payable subject to a maximum of \$6,500 per employee for professional staff, \$3,000 per employee for administrative staff, \$3,450 per employee for support staff belonging to MESPA and \$1,500 per employee for mechanics. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignation or retirements.

7. Unemployment Insurance.

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

10. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):**

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2005, the carrying amount of the District's deposits was \$1,933,635 and the bank balance was \$2,042,267. Of the bank balance, \$200,000 was covered by federal deposit insurance while the remaining bank balance of \$1,842,267 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$257,580	\$ 1,933,635
Investments	-
	<u>\$ 1,933,635</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 1,676,055
Fiduciary Funds	257,580
Investments - District wide	-
	<u>\$ 1,933,635</u>

**NOTE 4 - LONG-TERM DEBT:**

On February 4, 2004, the District paid off \$380,000 of general obligation bonds due in 2008 and purchased refunding bonds for \$1,535,000 in general obligation bonds with an average interest rate of 2.3% to advance refund \$1,535,000 outstanding 1994 registered bonds with an average interest rate of 4.7%. As a result, the 1994 term bonds are considered defeased and the liability for those bonds has been removed from the general long-term debt account group.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 4 - LONG-TERM DEBT (Continued):**

The district paid off early and refunded the 1994 term bonds to reduce its total debt service payments over the next six years by \$152,955 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$79,028.

On January 15, 2004 the district purchased 81 acres of land with a 7% land contract with \$50,000 down and \$600,000 due over the next 12 years.

Following is a summary of the various long-term debt of the school district:

Limited obligation (Durant) bond, due in annual installments of \$11,523 to \$56,244 through May 15, 2013, with interest of 4.76%.	\$ 152,090
2004 general obligation (serial bonds) due in annual installments of \$65,000 to \$390,000 with interest from 2.00% to 2.50%.	<u>1,470,000</u>
Total bonded debt	1,622,090
7% Land contract due in annual installments of \$75,566 through January 15, 2016.	566,549
Accumulated compensated absences	<u>888,208</u>
Total long-term debt	<u>\$3,076,847</u>

**DEBT SERVICE REQUIREMENTS:**

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$ 387,430	\$ 76,963	\$ 464,393
2007	410,490	67,102	477,592
2008	433,758	56,636	490,394
2009	490,146	64,060	554,206
2010	60,940	31,343	92,283
2011-2015	335,253	92,725	427,978
2016-2020	<u>70,622</u>	<u>4,944</u>	<u>75,566</u>
	2,188,639	393,773	2,582,412
Accumulated compensated absences	<u>888,208</u>	-	<u>888,208</u>
	<u>\$3,076,847</u>	<u>\$ 393,773</u>	<u>\$3,470,620</u>

An amount of \$311,667 is available in the debt service fund to service the general obligation debt.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 4 - LONG-TERM DEBT (Continued):**

**CHANGES IN LONG-TERM DEBT:**

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2005:

	<b><u>ACCUMULATED SICK &amp; VACATION PAY</u></b>	<b><u>GENERAL OBLIGATION</u></b>
Long-term debt - July 1, 2004	\$573,199	\$2,526,323
Net decrease in accumulated compensated absences	315,009	
Additions:		
Recorded appreciation		20,767
Deductions:		
1990 serial bonds paid		(260,000)
2004 serial bonds paid		(65,000)
2004 land contract		(33,451)
Durant bonds paid	<u>-</u>	<u>-</u>
Total	<b><u>\$888,208</u></b>	<b><u>\$2,188,639</u></b>

Interest expense (all funds) for the year ended June 30, 2005 was \$98,933.

**NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued):**

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005 were 12.99% for July 1 through September 30, 2004 and 14.87% for October 1 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributes to MPSERS for the years ended June 30, 2005, 2004 and 2003 were \$1,587,094, \$1,467,531, and \$1,405,679, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage.

**NOTE 6 - OPERATING LEASES:**

The School District leases an automobile, equipment and a building under operating lease agreements that expire at various dates. Lease expense for the year amounted to \$38,199. At June 30, 2005, future lease payments under such leases are as follows:

June 30, 2006	\$40,000
June 30, 2007	40,000
June 30, 2008	3,333

**NOTE 7 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:**

	<b><u>INTERFUND RECEIVABLE</u></b>	<b><u>INTERFUND PAYABLE</u></b>
General Fund	\$211	\$ 0
Agency Fund	<u>0</u>	<u>211</u>
Total	<u>\$211</u>	<u>\$211</u>

**NOTE 9 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<b><u>BALANCE JULY 1, 2004</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b><u>BALANCE JUNE 30, 2005</u></b>
Assets not being depreciated – land	\$ 962,400			\$ 962,400
Other capital assets:				
Land improvements	566,302	21,408		587,710
Building and additions	8,601,625			8,601,625
Machinery and equipment	4,513,948	47,618		4,561,566
Transportation equipment	<u>1,444,422</u>	<u>122,202</u>	<u>          </u>	<u>1,566,624</u>
Subtotal	15,126,297	191,228		15,317,525
Accumulated depreciation:				
Land improvements	(309,779)	(20,634)		(330,413)
Building and additions	(4,683,285)	(168,513)		(4,851,798)
Machinery and equipment	(2,659,745)	(249,140)		(2,908,885)
Transportation equipment	<u>(970,861)</u>	<u>(128,719)</u>	<u>          </u>	<u>(1,099,580)</u>
Subtotal	(8,623,670)	(567,006)		(9,190,676)
Net other capital assets	<u>6,502,627</u>	<u>(375,778)</u>	<u>          </u>	<u>6,126,849</u>
Net capital assets	<u>\$7,465,027</u>	<u>\$(375,778)</u>	<u>          </u>	<u>\$7,089,249</u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$567,006.

Depreciation expense was charged to programs of the primary government as follows:

Support services	\$113,400
Athletics	5,670
Unallocated depreciation	<u>447,936</u>
Total depreciation	<u>\$567,006</u>

**CARO COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 10 – TRANSFERS:**

The general fund transferred \$350,182 to the athletic fund during the current fiscal year.

**NOTE 11 – NOTE PAYABLE AND SUBSEQUENT EVENT:**

On August 19, 2005, the District borrowed a state aid note in an amount not to exceed \$1,800,000. The state aid note bears interest Base Rate plus 2% and will mature on August 18, 2006.

On May 3, 2005, the qualified electors of the School District approved the issuance of bonds in an amount not to exceed \$14,860,000 of which \$10,860,000 will be issued as Series A Bonds. Proceeds of the 2005 school Building and Site Bonds will be used for school building and site renovations and expansion. As of June 30, 2005 the 2005 Building & Site Bonds had not been sold.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CARO COMMUNITY SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>GENERAL FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Local sources	\$ 1,753,899	\$ 1,691,396	\$ 1,696,366	\$ 4,970
State sources	14,089,072	14,128,944	14,126,352	(2,592)
Federal sources	623,173	735,751	688,922	(46,829)
Other transactions:				
Transfers from other districts		-	-	-
Sale of school property		95	94	(1)
<b>TOTAL REVENUES</b>	<b>16,466,144</b>	<b>16,556,186</b>	<b>16,511,734</b>	<b>(44,452)</b>
<b>EXPENDITURES</b>				
Instruction	11,642,932	11,911,298	11,771,838	139,460
Supporting services	5,092,967	4,921,360	4,553,558	367,802
Community services	152,686	124,966	127,664	(2,698)
Outgoing transfers and other		-	-	-
<b>TOTAL EXPENDITURES</b>	<b>16,888,585</b>	<b>16,957,624</b>	<b>16,453,060</b>	<b>504,564</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(422,441)</b>	<b>(401,438)</b>	<b>58,674</b>	<b>460,112</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Land contract principal payments	-	-	(33,451)	(33,451)
Land contract interest & fees	-	-	(42,615)	(42,615)
Fund transfers in	-	-	-	-
Fund transfers out	(474,469)	(349,251)	(350,182)	(931)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(474,469)</b>	<b>(349,251)</b>	<b>(426,248)</b>	<b>(76,997)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<b>\$ (896,910)</b>	<b>\$ (750,689)</b>	<b>(367,574)</b>	<b>\$ 383,115</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>2,942,219</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 2,574,645</b>	

## ADDITIONAL INFORMATION

**CARO COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2005

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT RETIREMENT</u>	<u>2005</u>
<b><u>ASSETS</u></b>			
Cash and equivalents	\$ 128,450	\$ 311,667	\$ 440,117
Accounts receivable	878	-	878
Due from other governmental units	8,608	-	8,608
<b>TOTAL ASSETS</b>	<b>\$ 137,936</b>	<b>\$ 311,667</b>	<b>\$ 449,603</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Accounts payable	\$ (932)		\$ (932)
Benefits payable	3,617		3,617
Due to other funds		-	-
Retirement payable	701		701
Salaries payable	5,156		5,156
Accrued payroll taxes	1,469		1,469
Other current liabilities	3,936		3,936
<b>TOTAL LIABILITIES</b>	<b>13,947</b>	<b>-</b>	<b>13,947</b>
<b><u>FUND BALANCE</u></b>			
Fund balances:			
Reserved for debt service		\$ 311,667	311,667
Unreserved:			
Undesignated	123,989		123,989
Total unreserved	123,989	-	123,989
<b>TOTAL FUND BALANCE</b>	<b>123,989</b>	<b>311,667</b>	<b>435,656</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 137,936</b>	<b>\$ 311,667</b>	<b>\$ 449,603</b>

**CARO COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN NONMAJOR FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>DEBT RETIREMENT</u>	<u>2005</u>
REVENUES			
Local sources	\$ 351,410	\$ 524,919	\$ 876,329
State sources	48,047	-	48,047
Federal sources	306,495		306,495
TOTAL REVENUES	<u>705,952</u>	<u>524,919</u>	<u>1,230,871</u>
EXPENDITURES			
Food services	640,567		640,567
Athletic services	399,574		399,574
Outgoing transfers & other			
Debt service:			
Principal redemption		142,867	142,867
Bond issuance costs		-	-
Interest and fiscal charges		222,812	222,812
TOTAL EXPENDITURES	<u>1,040,141</u>	<u>365,679</u>	<u>1,405,820</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(334,189)</u>	<u>159,240</u>	<u>(174,949)</u>
OTHER FINANCING SOURCES (USES)			
Fund transfers in	350,182		350,182
Fund transfers out			-
TOTAL OTHER FINANCING SOURCES (USES)	<u>350,182</u>	<u>-</u>	<u>350,182</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>15,993</u>	<u>159,240</u>	<u>175,233</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>107,996</u>	<u>152,427</u>	<u>260,423</u>
FUND BALANCE AT END OF YEAR	<u>\$ 123,989</u>	<u>\$ 311,667</u>	<u>\$ 435,656</u>

**CARO COMMUNITY SCHOOLS**  
**BALANCE SHEETS**  
**GENERAL FUND**  
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 1,235,938	\$ 1,527,038
Accounts receivable	12,862	4,594
Federal funds receivable	-	159,613
Prepaid expenses	21,399	4,614
Due from other funds	-	750
Due from agency funds	211	55
Due from other governmental units	2,803,585	2,613,041
<b>TOTAL ASSETS</b>	<b><u>\$ 4,073,995</u></b>	<b><u>\$ 4,309,706</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
Accounts payable	\$ 26,758	\$ 37,916
Benefits payable	526,190	301,994
Deferred Revenue	-	-
Retirement payable	121,952	110,652
Salaries payable	824,450	851,814
Accrued payroll taxes	-	65,111
Due to other funds	-	-
Other current liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b><u>1,499,350</u></b>	<b><u>1,367,487</u></b>
 <b><u>FUND BALANCE</u></b>		
Fund balances:		
Reserved for debt service		
Unreserved:		
Designated for compensated absences	888,209	573,199
Designated for capital improvements	620,000	618,000
Undesignated	1,066,436	1,751,020
Total unreserved	<u>2,574,645</u>	<u>2,942,219</u>
<b>TOTAL FUND BALANCE</b>	<b><u>2,574,645</u></b>	<b><u>2,942,219</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 4,073,995</u></b>	<b><u>\$ 4,309,706</u></b>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>LOCAL SOURCES:</b>			
Property taxes	\$ 1,329,453	\$ 1,323,467	\$ (5,986)
Tuition and fees	-	-	-
Earnings on investments	4,000	3,729	(271)
Other local revenues	357,943	369,170	11,227
<b>Total Local Sources</b>	<u>1,691,396</u>	<u>1,696,366</u>	<u>4,970</u>
<b>STATE SOURCES:</b>			
Foundation grant	105,600	105,600	-
Special education grant	827,009	827,009	-
Other state sources:			
Career prep grant	28,352	26,082	(2,270)
Gifted & talented grant	309	309	-
At Risk	374,230	374,203	(27)
Other	12,793,444	12,793,149	(295)
<b>Total State Sources</b>	<u>14,128,944</u>	<u>14,126,352</u>	<u>(2,592)</u>
<b>FEDERAL SOURCES:</b>			
ECIA Title I	529,331	488,357	(40,974)
ECIA Title II	178,921	170,905	(8,016)
Homeland security	5,919	5,919	
Other	21,580	23,741	2,161
<b>Total Federal Sources</b>	<u>735,751</u>	<u>688,922</u>	<u>(46,829)</u>
<b>OTHER TRANSACTIONS:</b>			
Transfers from other funds	-	-	-
<b>Total Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>
Sale of School property	95	94	(1)
<b>TOTAL REVENUES</b>	<u>\$ 16,556,186</u>	<u>\$ 16,511,734</u>	<u>\$ (44,452)</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY - SCHALL:			
Salaries:			
Teachers	\$ 1,124,556	\$ 1,112,688	\$ 11,868
Aides	-	-	-
Substitutes	40,049	39,028	1,021
Employee benefits	449,225	443,712	5,513
Professional & technical services	2,600	2,527	73
Workshops and conferences	1,819	1,391	428
Teaching supplies & materials	20,430	15,240	5,190
Capital outlay	13,210	13,206	4
Total Elementary - Schall	<u>1,651,889</u>	<u>1,627,792</u>	<u>24,097</u>
ELEMENTARY - MCCOMB:			
Salaries:			
Teachers	1,207,809	1,199,515	8,294
Aides	20,974	20,502	472
Substitutes	51,450	50,502	948
Other	-	-	-
Employee benefits	553,530	543,737	9,793
Conference & workshops	-	-	-
Teaching supplies & materials	35,312	34,769	543
Professional & technical services	9,658	7,867	1,791
Capital outlay	-	-	-
Other expenses	-	-	-
Total Elementary - McComb	<u>1,878,733</u>	<u>1,856,892</u>	<u>21,841</u>
EARLY CHILDHOOD:			
Salaries:			
Teacher	55,495	55,494	1
Aides	19,163	17,002	2,161
Substitutes	580	532	48
Other	99,452	99,071	381
Employee benefits	29,988	29,701	287
Contracted services	250	66	184
Teaching supplies & materials	8,000	7,578	422
Total Early Childhood	<u>212,928</u>	<u>209,444</u>	<u>3,484</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
BASIC PROGRAMS, (Continued):			
MIDDLE SCHOOL:			
Salaries:			
Teachers	\$ 1,489,606	\$ 1,486,692	\$ 2,914
Substitutes	44,700	41,678	3,022
Employee benefits	649,383	642,190	7,193
Conferences & workshop	640	639	1
Contracted services	4,450	4,430	20
Teaching supplies & materials	33,327	29,938	3,389
Capital outlay	1,600	1,576	24
Other expense	1,090	766	324
Total Middle School	<u>2,224,796</u>	<u>2,207,909</u>	<u>16,887</u>
HIGH SCHOOL:			
Salaries:			
Drivers education	-	-	-
Teachers	1,719,219	1,717,208	2,011
Aides	32,428	31,680	748
Substitutes	28,605	28,244	361
Employee benefits	820,441	819,542	899
Conferences & workshops	3,475	5,193	(1,718)
Contracted services	12,000	12,197	(197)
Teaching supplies & materials	54,084	48,640	5,444
Capital outlay	1,155	1,151	4
Other expenses	500	471	29
Total High School	<u>2,671,907</u>	<u>2,664,326</u>	<u>7,581</u>
ADDED NEEDS:			
Special Education:			
Salaries:			
Teachers	1,089,580	1,085,163	4,417
Aides	152,302	148,126	4,176
Substitutes	59,684	52,014	7,670
Employee benefits	595,904	597,276	(1,372)
Conferences & workshops	1,045	1,008	37
Contracted services	100	85	15
Teaching supplies & materials	25,448	23,617	1,831
Capital outlay	220	219	1
Total Special Education	<u>1,924,283</u>	<u>1,907,508</u>	<u>16,775</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS, (Continued):			
COMPENSATORY EDUCATION:			
ECIA Title I:			
Salaries:			
Teachers	\$ 114,477	\$ 114,477	\$ -
Aides	32,811	32,754	57
Substitutes	-	-	-
Employee benefits	80,033	80,028	5
Audit fees	500	500	-
Conference & workshops	48,761	17,775	30,986
Teaching supplies & materials	33,000	17,921	15,079
Capital outlay	-	-	-
Total Compensatory Education	<u>309,582</u>	<u>263,455</u>	<u>46,127</u>
ADULT CONTINUING EDUCATION:			
ALTERNATIVE EDUCATION:			
Salaries:			
Administrative	23,341	23,340	1
Supervisor & secretary	127,425	129,895	(2,470)
Teachers	179,000	178,985	15
Aides	14,230	14,228	2
Substitutes	26,600	26,332	268
Employee benefits	151,479	153,315	(1,836)
Telephone	450	418	32
Rental of facilities	44,240	44,236	4
Local travel	1,480	1,314	166
Contracted services	29,194	29,190	4
Teaching supplies & materials	7,754	7,675	79
Capital outlay	3,000	2,877	123
Other expenses	40	-	40
Total Alternative Education	<u>608,233</u>	<u>611,805</u>	<u>(3,572)</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADULT CONTINUING EDUCATION, (Continued):			
CONTINUING EDUCATION:			
Salaries:			
Teacher	\$ 23,100	\$ 20,606	\$ 2,494
Pool	-	-	-
Employee benefits	1,755	1,488	267
Advertising	-	-	-
Contracted services	3,700	3,599	101
Teaching supplies & materials	1,500	1,210	290
Total Continuing Education	<u>30,055</u>	<u>26,903</u>	<u>3,152</u>
SPECIAL GRANTS:			
Special programs	<u>21,580</u>	<u>21,052</u>	<u>528</u>
AT RISK:			
Salaries:			
Teacher	193,256	193,076	180
Aides	23,460	23,460	-
Substitutes	-	-	-
Other	38,828	38,828	-
Employee benefits	121,268	119,055	2,213
Contracted services	100	25	75
Teaching supplies & materials	400	308	92
Total At Risk	<u>377,312</u>	<u>374,752</u>	<u>2,560</u>
TOTAL INSTRUCTION	<u>11,911,298</u>	<u>11,771,838</u>	<u>139,460</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORTING SERVICES:</b>			
<b>GUIDANCE SERVICES:</b>			
Elementary:			
Salaries:			
Counseling	\$ 35,147	\$ 35,147	\$ -
Employee benefits	10,146	10,247	(101)
Conferences & workshops	-	-	-
Contracted services	-	-	-
Supplies	-	-	-
Other expenses	-	-	-
	<u>45,293</u>	<u>45,394</u>	<u>(101)</u>
Total Elementary			
	<u>45,293</u>	<u>45,394</u>	<u>(101)</u>
Middle School:			
Salaries:			
Counseling	64,335	64,335	-
Employee benefits	16,863	17,525	(662)
Contracted services	3,700	3,696	4
Supplies	208	114	94
Conferences & workshops	-	-	-
Other expenses	-	-	-
	<u>85,106</u>	<u>85,670</u>	<u>(564)</u>
Total Middle School			
	<u>85,106</u>	<u>85,670</u>	<u>(564)</u>
High School:			
Salaries:			
Counseling	134,335	134,334	1
Secretarial	23,471	24,034	(563)
		-	
Employee benefits	78,755	71,222	7,533
Contracted services	41,867	41,028	839
Supplies	875	748	127
Conferences & workshops	-	-	-
	<u>279,303</u>	<u>271,366</u>	<u>7,937</u>
Total High School			
	<u>279,303</u>	<u>271,366</u>	<u>7,937</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORTING SERVICES, (Continued):</b>			
<b>SPEECH PATHOLOGY:</b>			
Salaries:			
Speech pathology	\$ 67,214	\$ 67,214	\$ -
Employee benefits	29,377	29,541	(164)
Conferences	-	-	-
Contracted services	700	667	33
Miscellaneous	-	-	-
	<u>97,291</u>	<u>97,422</u>	<u>(131)</u>
<b>Total Speech Pathology</b>			
<b>LIBRARY:</b>			
High School & Middle School:			
Salaries:			
Librarians	66,316	66,316	-
Employee benefits	43,931	44,001	(70)
Contracted services	400	104	296
Supplies & materials	17,994	17,291	703
Capital outlay	-	-	-
Miscellaneous	450	429	21
	<u>129,091</u>	<u>128,141</u>	<u>950</u>
<b>Total High School &amp; Middle School</b>			
<b>Elementary - Schall:</b>			
Salaries:			
Library Aides	-	-	-
Employee benefits	14,240	14,535	(295)
Supplies & materials	-	-	-
	<u>14,240</u>	<u>14,535</u>	<u>(295)</u>
<b>Total Elementary Schall</b>			
<b>Elementary - McComb:</b>			
Salaries:			
Paraprofessional	65,818	65,818	-
Employee benefits	-	-	-
Supplies & materials	1,465	1,465	-
	<u>67,283</u>	<u>67,283</u>	<u>-</u>
<b>Total Elementary McComb</b>			

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
AUDIO-VISUAL:			
Salaries:			
Technician	\$ 33,963	\$ 35,819	\$ (1,856)
Employee benefits	21,781	22,949	(1,168)
Contracted services	2,899	2,671	228
Teaching supplies	695	692	3
Capital outlay	9,750	9,549	201
Total Audio-Visual	<u>69,088</u>	<u>71,680</u>	<u>(2,592)</u>
BOARD OF EDUCATION:			
Salaries:			
Board members	5,960	3,150	2,810
Legal fees	7,000	5,144	1,856
Audit fees	7,650	7,571	79
Conferences & workshops	-	-	-
Advertising	-	-	-
Contracted services	-	-	-
Election expenses	4,800	4,764	36
Miscellaneous supplies	100	90	10
Other expenses	13,795	13,754	41
Total Board of Education	<u>39,305</u>	<u>34,473</u>	<u>4,832</u>
CENTRAL ADMINISTRATION:			
Salaries:			
Superintendent	96,000	96,000	-
Secretarial	67,409	67,008	401
Switchboard	-	-	-
Employee benefits	72,344	73,539	(1,195)
Conferences & workshops	2,150	1,701	449
Postage	2,250	2,231	19
Data processing	-	-	-
Lease	6,325	6,323	2
Contracted services	1,650	1,618	32
Capital outlay	-	-	-
Office supplies	7,350	7,080	270
Other expenses	200	170	30
Total Central Administration	<u>255,678</u>	<u>255,670</u>	<u>8</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
SCHOOL ADMINISTRATION:			
Salaries:			
Principals	\$ 456,447	\$ 456,445	\$ 2
Secretarial	189,938	197,198	(7,260)
Employee benefits	352,550	350,533	2,017
Conferences & workshop	2,930	2,288	642
Contracted services	1030	948	82
Postage	8,345	8,012	333
Office supplies	16,839	15,226	1,613
Capital outlay	-	-	-
Other expenses	5,363	5,363	-
Total School Administration	<u>1,033,442</u>	<u>1,036,013</u>	<u>(2,571)</u>
FISCAL & OTHER BUSINESS SERVICES:			
Bookkeeper	86,392	86,181	211
Employee benefits	55,306	54,453	853
Conferences & workshops	300	270	30
Postage	800	792	8
Contracted services	34,048	33,667	381
Office supplies	2,600	2,510	90
Other expenses	27,620	26,906	714
Total Fiscal & Other Business Services	<u>207,066</u>	<u>204,779</u>	<u>2,287</u>
OPERATION & MAINTENANCE:			
Custodial wages	359,790	333,069	26,721
Employee benefits	451,051	413,973	37,078
Conferences & workshops	350	155	195
Postage	3,000	3,000	-
Telephone	60,513	55,408	5,105
Heating	150,065	137,453	12,612
Electricity	164,849	139,544	25,305
Water/sewer	42,699	34,745	7,954
Maintenance of equipment	74,000	64,284	9,716
Contracted services	10,000	7,762	2,238
Supplies	61,300	59,978	1,322
Capital outlay	-	-	-
Total Operation & Maintenance	<u>1,377,617</u>	<u>1,249,371</u>	<u>128,246</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
PUPIL TRANSPORTATION:			
Salaries:			
Supervisor	\$ 49,273	\$ 49,273	\$ -
Mechanics	109,244	107,356	1,888
Vehicle operator	370,055	318,435	51,620
Secretary	31,608	31,543	65
Employee benefits	200,111	187,502	12,609
Conferences & workshops	6,050	5,842	208
Contracted services	51,058	50,920	138
Gas & oil	-	-	-
Repairs	67,400	65,119	2,281
Supplies & materials	41,625	37,120	4,505
Capital outlay	122,202	122,202	-
Other expenses	8,330	8,253	77
Total Pupil Transportation	<u>1,056,956</u>	<u>983,565</u>	<u>73,391</u>
INFORMATION SERVICES:			
Postage	4,025	4,025	-
Printing	-	-	-
Photography	4,000	3,670	330
Capital outlay	510	501	9
Total Information Services	<u>8,535</u>	<u>8,196</u>	<u>339</u>
IMPROVEMENT OF PROPERTY:			
Capital outlay	<u>156,066</u>	<u>-</u>	<u>156,066</u>
TOTAL SUPPORTING SERVICES	<u>4,921,360</u>	<u>4,553,558</u>	<u>367,802</u>

**CARO COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
COMMUNITY EDUCATION:			
Salaries:			
Supervisor	\$ 61,058	\$ 61,058	\$ -
Secretary	3,065	2,814	251
Employee benefits	26,968	26,795	173
Conferences & workshops	210	207	3
Postage	-	-	-
Contracted services	110	48	62
Office supplies	250	146	104
Other expenses	775	473	302
Total Community Education	<u>92,436</u>	<u>91,541</u>	<u>895</u>
DRIVER'S ROAD TESTING:			
Salaries	26,100	29,116	(3,016)
Employee benefits	5,758	6,428	(670)
Conferences & workshops	172	170	2
Building & maintenance supplies	-	-	-
Contracted services	-	-	-
Other expenses	500	409	91
Total Driver's Road Testing	<u>32,530</u>	<u>36,123</u>	<u>(3,593)</u>
TOTAL COMMUNITY SERVICES	<u>124,966</u>	<u>127,664</u>	<u>(2,698)</u>
OUTGOING TRANSFERS AND OTHER:			
Land contract principal payments	-	33,451	(33,451)
Land contract interest & fees	-	42,615	(42,615)
Transfers to other funds	349,251	350,182	(931)
Transfers to other districts	-	-	-
TOTAL OUTGOING TRANSFERS AND OTHER	<u>349,251</u>	<u>426,248</u>	<u>(76,997)</u>
TOTAL EXPENDITURES	<u>\$ 17,306,875</u>	<u>\$ 16,879,308</u>	<u>\$ 427,567</u>

**CARO COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2005

	<b>FOOD SERVICES</b>	<b>ATHLETIC ACTIVITIES</b>	<b>TOTAL 2005</b>	<b>2004</b>
<b><u>ASSETS</u></b>				
Cash and equivalents	\$ 127,913	\$ 537	\$ 128,450	\$ 109,332
Accounts receivable	878	-	878	6,563
Inventory				
Due from other governmental units	8,608		8,608	-
<b>TOTAL ASSETS</b>	<b><u>\$ 137,399</u></b>	<b><u>\$ 537</u></b>	<b><u>\$ 137,936</u></b>	<b><u>\$ 115,896</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ (932)	\$ (932)	\$ 481
Accrued payroll taxes	-	1,469	1,469	470
Benefits payable	3,617		3,617	-
Retirement payable	701		701	800
Salaries payable	5,156		5,156	-
Social Security - third party	-		-	-
Deferred revenue	-		-	-
Other current liabilities	3,936	-	3,936	6,149
<b>TOTAL LIABILITIES</b>	<b><u>13,410</u></b>	<b><u>537</u></b>	<b><u>13,947</u></b>	<b><u>7,901</u></b>
 <b>FUND BALANCE:</b>				
Fund Balance	123,989	-	123,989	107,995
<b>TOTAL FUND BALANCE</b>	<b><u>123,989</u></b>	<b><u>-</u></b>	<b><u>123,989</u></b>	<b><u>107,995</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 137,399</u></b>	<b><u>\$ 537</u></b>	<b><u>\$ 137,936</u></b>	<b><u>\$ 115,896</u></b>

**CARO COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL 2005</u>	<u>2004</u>
<b>REVENUES:</b>				
Sales	\$ 302,018	\$ 49,392	\$ 351,410	\$ 330,147
State sources	48,047		48,047	42,115
Federal sources	306,495		306,495	293,289
<b>TOTAL REVENUES</b>	<u>656,560</u>	<u>49,392</u>	<u>705,952</u>	<u>665,551</u>
<b>EXPENDITURES:</b>				
Salaries and wages	175,554		175,554	220,226
Employee benefits	82,337		82,337	78,831
Purchased services	5,772		5,772	3,563
Food and supplies	310,776		310,776	350,863
Commodities	21,780		21,780	16,452
Capital outlay	26,363		26,363	33,251
Athletic activities		399,574	399,574	398,260
Travel & workshops	1,985		1,985	2,301
Utilities	16,000		16,000	16,000
<b>TOTAL EXPENDITURES</b>	<u>640,567</u>	<u>399,574</u>	<u>1,040,141</u>	<u>1,119,747</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>15,993</u>	<u>(350,182)</u>	<u>(334,189)</u>	<u>(454,196)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund transfers in		350,182	350,182	350,344
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>15,993</u>	<u>-</u>	<u>15,993</u>	<u>(103,852)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	107,996	-	107,996	211,847
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 123,989</u>	<u>\$ -</u>	<u>\$ 123,989</u>	<u>\$ 107,995</u>

**CARO COMMUNITY SCHOOLS**  
**1990 DEBT SERVICE FUND**  
**BALANCE SHEET**  
June 30, 2005  
With Comparative Totals for June 30, 2004

		<b>TOTAL</b>	
		<b>2005</b>	<b>2004</b>
		<hr/>	<hr/>
	<b><u>ASSETS</u></b>		
Cash		\$ 311,667	\$ 153,177
Accounts receivable		-	-
Interest receivable		-	-
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b><u>\$ 311,667</u></b>	<b><u>\$ 153,177</u></b>
	<b><u>LIABILITIES &amp; FUND BALANCE</u></b>		
LIABILITIES:			
Due to other funds		\$ -	\$ 750
FUND BALANCE:			
Fund balance		311,667	152,427
		<hr/>	<hr/>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>		<b><u>\$ 311,667</u></b>	<b><u>\$ 153,177</u></b>

**CARO COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**  
**With Comparative Totals for the Year Ended June 30, 2004**

	<u>1990 DEBT</u>	<u>DURANT DEBT</u>	<u>TOTAL 2005</u>	<u>2004</u>
REVENUES:				
Local Sources:				
Property taxes	\$ 524,205		\$ 524,205	\$ 489,531
Interest	714		714	1,631
Total Local Sources	524,919		524,919	491,162
State Sources		\$ -	-	-
TOTAL REVENUES	524,919	-	524,919	491,162
EXPENDITURES:				
Debt Service:				
Principal repayment	142,867	-	142,867	499,627
Bond Issuance costs			-	107,973
Interest and other fiscal charges	222,812	-	222,812	272,177
TOTAL EXPENDITURES	365,679	-	365,679	879,778
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159,240	-	159,240	(388,616)
OTHER FINANCING SOURCES (USES):				
Refunding bond proceeds			-	1,535,000
Payment to bond escrow agent			-	(1,535,000)
TOTAL OTHER FINANCING SOURCES (USES)	-		-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	159,240		159,240	(388,616)
FUND BALANCES:				
Beginning of Year	152,427	-	152,427	541,043
End of Year	\$ 311,667	\$ -	\$ 311,667	\$ 152,428

**CARO COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BALANCE AT</u> <u>6/30/2004</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2005</u>
<u>ELEMENTARY</u>				
Schall student council	\$ 2,150	\$ 3,344	\$ 4,637	\$ 857
Growlers wrestling club	9	-	-	9
McComb playground	6	-	-	6
McComb office fund	2,903	18,784	10,104	11,583
McComb lounge	635	2,237	2,734	138
McComb Fun Friday	368	-	-	368
McComb young authors	35	99	599	(465)
McComb library	4,123	5,609	4,425	5,307
Ford Recycling	2	344	344	2
Peterhans kindergarten fund	57	-	-	57
Play and learn	284	-	97	187
Schall Science Club	642	28	470	200
Schall Young Authors	329	1,551	1,099	781
Schall book fair	1,072	8,162	6,186	3,048
Schall field trips	149	-	-	149
Schall book orders	53	91	91	53
Schall lounge fund	1,304	1,595	1,526	1,373
Schall office fund	-	7,422	3,210	4,212
Chapter I - Schall	786	-	-	786
Schall 3rd grade	336	1,898	1,507	727
Schall 4th grade	2,011	17,320	16,904	2,427
Schall 5th grade	266	2,418	2,276	408
Schall playground	-	-	-	-
Schall gift fund	228	895	952	171
Schall birdseed fund	288	-	44	244
Total Elementary	<u>18,036</u>	<u>71,797</u>	<u>57,205</u>	<u>32,628</u>
<u>MIDDLE SCHOOL</u>				
Middle school Character Counts	1,999	252	2,250	1
Middle school lounge	392	743	387	748
Middle school student council	5,378	62,885	59,938	8,325
Middle school locks	268	720	700	288
Middle school 6th grade	283	-	-	283
Middle school student special services	216	671	370	517
Middle school book club	-	121	121	-
Middle school guidance	939	-	-	939
Sutherland memorial	-	2,200	-	2,200
Phillips Grant	250	-	-	250
Total Middle School	<u>9,725</u>	<u>67,592</u>	<u>63,766</u>	<u>13,551</u>

**CARO COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BALANCE AT</u> <u>6/30/2004</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2005</u>
<u>DISTRICT</u>				
ABE lounge fund	\$ 1,768	\$ 669	\$ 965	\$ 1,472
Secretaries lounge fund	(23)	76	76	(23)
Teachers study center	436	2,277	1,924	789
Donations	-	2,367	2,062	
Recycling	35	-	-	35
Caro Tiger Sharks	2,828	7,917	7,922	2,823
Volleyball Club	418	-	-	418
Athletic department	-	-	-	-
All Staff Retirement	200	2,455	2,582	73
Transportation	259	56	-	315
Total District	<u>5,921</u>	<u>15,817</u>	<u>15,531</u>	<u>5,902</u>
<u>HIGH SCHOOL</u>				
Athletic boosters	7,935	57,045	42,162	22,818
Andrews Foundation	85	-	-	85
Art Club	75	168	168	75
Earl Branding Scholarship	14,915	133	300	14,748
Close Up	48	-	-	48
Band	314	2,604	2,772	146
Angeline Bennick Memorial	6,432	608	400	6,640
Cheerleaders	6,108	-	1,498	4,610
Class of 1997	3,954	-	-	3,954
Class of 2000	4,710	-	-	4,710
Class of 2001	4,550	-	-	4,550
Class of 2002	3,134	-	-	3,134
Class of 2003	4,048	-	-	4,048
Class of 2004	804	2,443	(20)	3,267
Class of 2005	1,581	32,850	29,339	5,092
Class of 2006	391	3,502	622	3,271
Class of 2007	1,668	9,849	5,874	5,643
Class of 2008	-	866	175	691
Deborah Colling Memorial	1	-	-	1
Justin Decker Memorial	-	681	-	681
Computer supplies	140	-	-	140
Cross country	3,559	2,282	1,787	4,054
Debate	63	200	200	63
Drama	4,523	5,280	4,693	5,110
English account	530	2,082	2,449	163
Foreign language - French	1,168	127	372	923
Spanish club	271	1,302	1,199	374
German club	910	1,127	890	1,147
Future Farmers of America	34	-	34	-
Future Homemakers of America	283	-	283	-
Solar Coaster	5,880	-	-	5,880

**CARO COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>BALANCE AT 6/30/2004</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>BALANCE AT 6/30/2005</b>
<u>HIGH SCHOOL, (Continued)</u>				
P.E. Locks	\$ 472	\$ 2,211	\$ 2,121	\$ 562
Golsch Athletic Fund	49	-	-	49
Guidance department	3,711	7,793	8,153	3,351
SADD/Project Graduation	1,529	78	754	853
Hasse Scholarship	9,512	2,595	500	11,607
Helping hands	118	1,725	1,716	127
Peer Meditation	437	-	-	437
High school supply	956	1,275	500	1,731
Industrial arts	287	543	43	787
Industrial arts safety glasses	454	328	315	467
Library	215	81	213	83
John Markham Memorial	164	-	-	164
McDurmon Scholarship	4,444	36	800	3,680
Miscellaneous	1,199	2,807	3,054	952
National Honor Society	1,104	2,005	2,068	1,041
Newspaper	449	-	-	449
Prep Sales	72	-	-	72
Science	1,777	-	899	878
Science Club	605	1,355	-	1,960
Ski Club	646	556	717	485
Boys' Soccer	247	-	-	247
Girls' Soccer	332	-	-	332
Don Stamats Fund	1,953	16	200	1,769
State Athletic Tournament	6,427	34,577	27,520	13,484
Student Council	1,340	4,612	5,175	777
Synchronized Swim Club	1,844	3,595	4,473	966
Teachers Scholarship Fund	1,485	-	400	1,085
High school special ed	395	-	-	395
Varsity Boys' Basketball	1,366	4,280	5,053	593
Varsity Football	5,451	18,983	22,125	2,309
Varsity Girls Basketball	1,373	4,170	3,957	1,586
Varsity Girls Softball	1,640	5,821	5,489	1,972
Varsity Girls Track	559	3,268	3,013	814
Varsity Wrestling	6,441	6,418	10,134	2,725
Tennis - Boys	22	-	-	22
Tennis - Girls	277	402	678	1
Vocal Music	1,908	2,356	2,817	1,447
Volleyball	4,581	6,701	5,969	5,313
Yearbook	11,756	30,476	25,879	16,353
Golf - Boys	21	-	255	(234)
Golf - Girls	-	255	-	255

**CARO COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BALANCE AT</u> <u>6/30/2004</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2005</u>
<u>HIGH SCHOOL. (Continued)</u>				
Youth in Government	69	11,880	11,849	100
Janks Foundation Grant	20	-	-	20
Baseball	409	2,986	2,571	824
Gene H. Riggs - Athletic	3,619	31	285	3,365
Weightlifting	10	15	-	25
MESPA Flower Fund	50	-	-	50
HS spirit club	-	248	-	248
Operation graduation	-	4,883	4,520	363
Varsity Boys swimming	197	569	580	186
Varsity Girls swimming	151	-	-	151
Raymond Scholarship	12,882	257	1,500	11,639
	<u>173,139</u>	<u>293,336</u>	<u>261,492</u>	<u>204,983</u>
Total High School				
	<u>\$ 206,821</u>	<u>\$ 448,542</u>	<u>\$ 397,994</u>	<u>\$ 257,369</u>
Total Agency Fund				

**CARO COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 1990, 1998 & 2004 ISSUES**  
June 30, 2005

The bond issues dated November 7, 1990 were for the purpose of erecting and equipping additional classrooms at the Caro Middle School; erecting and equipping additional classrooms at the McComb Elementary School; partially remodeling and equipping the Caro High School; and remodeling and partially equipping the Schall Elementary School and playground area. On February 23, 1994, serial bonds in the amount of \$2,015,000 were issued to refinance certain capital appreciation and term bonds. On November 24, 1998 Durant Bonds in the amount of \$238,062 were issued for erecting, furnishing & equipping additions to the existing school buildings and developing and improving the site. On February 4, 2004 serial bonds in the amount of \$1,535,000 were issued to refund the balance left on the 1994 serial bonds.

The bonds consist of the following issues:

<u>TYPES OF BONDS</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>ORIGINAL PRINCIPAL</u>	<u>CURRENT MATURITY</u>
Serial Bonds - 2004 refunding	2.00-2.50	2005-2009	2,015,000	1,470,000
Durant Bonds - 1998	4.76	1998-2013	238,062	152,090
			<u>\$2,253,062</u>	<u>\$1,622,090</u>

**CARO COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2004 REFUNDING**  
June 30, 2005

Refunding serial bonds in the amount of \$1,535,000 were issued February 4, 2004 to refinance 1994 serial bonds (due to mature in the years 2005-2010) .

<b>PRINCIPAL DUE MAY 1</b>	<b>RATE</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>MAY 1</b>	<b>NOVEMBER 1</b>	<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 340,000	2.00	\$ 16,055	\$ 16,055	2006	\$ 372,110
360,000	2.00	12,655	12,655	2007	385,310
380,000	2.20	9,055	9,055	2008	398,110
390,000	2.50	4,875	4,875	2009	399,750
<u>\$ 1,470,000</u>		<u>\$ 42,640</u>	<u>\$ 42,640</u>		<u>\$ 1,555,280</u>

**CARO COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 1998 ISSUE**  
June 30, 2005

\$238,062 Durant Bond issued November 24, 1998:

<b>PRINCIPAL DUE MAY 15</b>	<b>INTEREST DUE MAY 15</b>	<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 11,523	\$ 5,194	2006	\$ 16,717
12,069	4,647	2007	16,716
12,647	4,071	2008	16,718
56,244	22,646	2009	78,890
13,879	2,838	2010	16,717
14,540	2,177	2011	16,717
15,232	1,485	2012	16,717
15,956	760	2013	16,716
<u>\$ 152,090</u>	<u>\$ 43,818</u>		<u>\$ 195,908</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**CARO COMMUNITY SCHOOL DISTRICT**

**ADDITIONAL REPORTS REQUIRED  
BY OMB CIRCULAR A-133**

**YEAR ENDED JUNE 30, 2005**

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 5, 2005

To the Board of Education  
Caro Community Schools  
Caro, MI 48723

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caro Community Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Caro Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Caro Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

August 5, 2005

To the Board of Education  
Caro Community Schools  
Caro, MI 48723

**COMPLIANCE**

We have audited the compliance of Caro Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. Caro Community Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Caro Community Schools' management. Our responsibility is to express an opinion on Caro Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caro Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Caro Community Schools' compliance with those requirements.

In our opinion, Caro Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2005.

**INTERNAL CONTROL OVER COMPLIANCE**

The management of Caro Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Caro Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Board of Education  
August 5, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caro Community Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 5, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Caro Community Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

**CARO COMMUNITY SCHOOL DISTRICT, CARO, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2004	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2005
ECIA Title I - regular	84.010	41530 0405	\$ 118,141	\$ 103,273	\$ 272,655	\$ 118,141	\$ 118,141	\$ -
ECIA Title I - C/O	84.010	41530 0304	272,655			103,273		-
ECIA Title I - part D	84.010	41700 0304	17,378			17,378	17,378	-
ECIA Title I - part A	84.010	51530 0405	388,856			186,995	342,698	155,703
ECIA Title I	84.010	51700 0405	4,956				4,956	4,956
			801,986	103,273	272,655	425,787	483,173	160,659
Title V	84.298	40250 0304	1,850	1,850	1,850	1,850		-
Title V	84.298	50250 0405	5,184			1,270	5,184	3,914
			7,034	1,850	1,850	3,120	5,184	3,914
Technology Literacy Challenge	84.318	54290 0405	9,882	-	-	4,600	9,882	5,282
Drug-Free	84.186	42860 0304	5,120	5,120	5,120	5,120	-	-
Drug-Free	84.186	42860 0405	8,611		8,611	8,611	8,611	-
Drug-Free	84.186	52860 0405	12,441			-	12,441	12,441
			26,172	5,120	13,731	13,731	21,052	12,441
Title IIA - Teacher Quality	84.367	30520 0304	70,591	42,250	70,591	42,250		-
Title IIA - Teacher Quality	84.367	40520 0304	97,101	7,120	84,755	7,120		-
Title IIA - Teacher Quality	84.367	40520 0405	39,654			39,654	39,654	-
Title IIA - Teacher Quality	84.367	50520 0405	124,200			57,000	121,369	64,369
			331,546	49,370	155,346	146,024	161,023	64,369
			1,176,620	159,613	443,582	593,262	680,314	246,665
Total Passed Through Michigan Dept. of Education								

**CARO COMMUNITY SCHOOL DISTRICT, CARO, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS- THROUGH GRANTOR'S NUMBER</b>	<b>AWARD AMOUNT</b>	<b>ACCRUED (DEFERRED) REVENUE 6/30/2004</b>	<b>(MEMO ONLY) PRIOR YEAR EXPENDITURES</b>	<b>CURRENT YEAR RECEIPTS</b>	<b>CURRENT YEAR EXPENDITURES</b>	<b>ACCRUED (DEFERRED) REVENUE 6/30/2005</b>
<b>TRANSFERS FROM OTHER GOVERNMENTAL UNITS</b>								
Tuscola Intermediate School District: Tech Prep	84.243	501411 0405	2,689			2,689	2,689	
Michigan State Police State Homeland Security	97.004		5,919			5,919	5,919	
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>								
Passed through Michigan Dept. of Education:								
National School Lunch	10.555		243,738			241,587	243,317	1,730
National School Lunch Breakfast	10.553		40,977			40,977	41,398	421
Food Distribution Entitlement	10.550		18,383			18,383	18,383	
Bonus Commodities	10.565		3,397			3,397	3,397	
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			306,495	-	-	304,344	306,495	2,151
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 1,491,723</b>	<b>\$ 159,613</b>	<b>\$ 443,582</b>	<b>\$ 906,214</b>	<b>\$ 995,417</b>	<b>\$ 248,816</b>

**CARO COMMUNITY SCHOOL DISTRICT, CARO, MICHIGAN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Caro Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization* and reconciles with the amounts presented in the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Title I, CFDA #84.010, was audited as a major program representing 48.54% of federal expenditures.
2. The threshold for distinguishing Type A and Type B programs was \$300,000.
3. Management has utilized the Grant Section Auditor's Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.
4. Caro Community Schools received a waiver of low risk auditee status.

**NOTE 3 – SUMMARY OF FEDERAL EXPENDITURES**

Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General Fund	\$688,922
Special Revenue Fund	<u>306,495</u>
Subtotal	<u><b>\$995,417</b></u>

**CARO COMMUNITY SCHOOL DISTRICT, CARO, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Section I – Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

**CFDA Number(s)**  
84.010

**Name of Federal Program or Cluster**  
Title I

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**CARO COMMUNITY SCHOOL DISTRICT, CARO, MICHIGAN**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**

NONE

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August 5, 2005

To the Board of Education  
Caro Community School District  
Caro, Michigan 48723

In planning and performing our audit of the financial statements of Caro Community School District for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 5, 2005, on the financial statements of Caro Community School District.

## **New Rules For §403(B) Plans**

Proposed regulations were issued last year that require a written plan document for §403(b) plans. The plan must contain all the material terms and conditions for eligibility, benefits, contribution limitations, the annuity contracts or accounts available or used under the plan for funding, and the time and form under which benefit payments will be made. There is no requirement that a single document must be used. This rule applies for tax years beginning after 2005 to assure you comply.

## **Increase Fidelity insurance coverage**

We recommend that the District review their fidelity insurance and consider increasing the insurance coverage. With the size of the District's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation. We believe that this type of protection is a particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered

**Segregation of Duties**

Due to the limited number of people working in the business office, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts, and maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the district segregate bank account reconciliation duties from cash receipts and/or cash disbursement duties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various schools district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Caro Community School District, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**